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No. 01-1015

IN THE

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC., and VICTORIA'S SECRET DIRECT, LLC,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED FOR REVIEW

Whether the Sixth Circuit in *V Secret Catalogue* correctly interpreted the Federal Trademark Dilution Act (the "FTDA")[1] as not requiring proof of actual economic harm to a famous mark prior to finding liability for dilution and granting injunctive relief.

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1. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified at 15 U.S.C. § 1125(c)(1996)).

PARTIES TO THE PROCEEDING AND CORPORATE DISCLOSURE STATEMENT

Petitioners are Victor Moseley and Cathy Moseley, d/b/a Victor's Little Secret (herein "Petitioners" or "Moseleys").

Respondents are V Secret Catalogue, Inc., Victoria's Secret Stores, Inc. and Victoria's Secret Direct, LLC (formerly, Victoria's Secret Catalogue, Inc.) (herein "Respondents" or "Victoria's Secret").

Respondents, V Secret Catalogue, Inc., Victoria's Secret Stores, Inc. and Victoria's Secret Direct, LLC, are wholly-owned subsidiaries of Intimate Brands, Inc., which is a publicly held corporation.

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STATEMENT OF THE CASE

The VICTORIA'S SECRET trademark and service mark (herein the "VICTORIA'S SECRET Mark") has been in continuous use in the United States since 1977, through Respondents' predecessor, and since 1982 by Respondents. *V Secret Catalogue*, 259 F.3d at 466.

The VICTORIA'S SECRET Mark was first registered in the United States Patent and Trademark Office in 1981. Since that time, the Mark has been registered not only in the United States, but worldwide. *Id.*

The VICTORIA'S SECRET Mark has been widely advertised and publicized for over 20 years. The reach of the VICTORIA'S SECRET Mark is national through its 750 VICTORIA'S SECRET retail stores, and international through the annual distribution and circulation of more than 400 million copies of the VICTORIA'S SECRET mail order catalog worldwide and the global accessibility of the website. *Id.* The evidence before the Sixth Circuit also showed that in 1997 alone, Victoria's Secret reached over 1.5 billion people globally through print and electronic public relations efforts.

As a result, VICTORIA'S SECRET is a famous trademark. In a 1998 survey, the VICTORIA'S SECRET Mark was rated the ninth most famous brand in the apparel industry. *Id.* Petitioners admit the mark is famous. *Id.* at 467, 471.

The VICTORIA'S SECRET Mark is also distinctive. The Sixth Circuit held that the VICTORIA'S SECRET Mark "ranks with those that are 'arbitrary and fanciful' and is therefore deserving of a high level of trademark protection". *Id.* at 470.

In 1998, Petitioners opened a "Victor's Secret" retail store in a strip mall in Elizabethtown, Kentucky, selling a wide variety of items, including men's and women's lingerie, adult videos, sex toys and "adult novelties". *Id.* at 466.

The VICTORIA'S SECRET Mark is well established in Kentucky, where Respondents have VICTORIA'S SECRET retail stores, and over 3.5 million Kentucky residents receive the VICTORIA'S SECRET catalog annually, with 39,000 of those catalogs distributed in Elizabethtown alone. *Id.* Further, the evidence before the Sixth Circuit showed that in the last five years, Kentucky residents purchased nearly $30 million of VICTORIA'S SECRET merchandise through the catalog.

Shortly after Petitioners opened their "Victor's Secret" store, Respondents sent a cease and desist letter requesting them to stop using "Victor's Secret" as a store name. Instead of stopping, Petitioners added the word "little" in small, almost unnoticeable lettering between the words "Victor's" and "Secret", *i.e.*, to "Victor's Little Secret". Respondents then brought suit against Petitioners. *Id.* at 466-67.

REASONS FOR DENYING THE WRIT

I. THE SIXTH CIRCUIT CORRECTLY HELD THAT THE FTDA DOES NOT REQUIRE PROOF OF ACTUAL HARM

In *V Secret Catalogue*, the Sixth Circuit upheld the district court's finding that the Moseleys' use of "Victor's Little Secret" for their lingerie and adult toy business both blurred and tarnished the VICTORIA'S SECRET Mark in violation of the FTDA. *V Secret Catalogue*, 259 F.3d at 467.

In so doing, the Sixth Circuit cited its recent FTDA decision in *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562

(6th Cir. 2000), in which the Second Circuit's test for determining dilution in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), was adopted, noting:

> The *Nabisco* test requires that to establish a dilution claim, "(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark." *Kellogg*, 209 F.3d at 577 (quoting *Nabisco*, 191 F.3d at 215).

V Secret Catalogue, 259 F.3d at 468-469.

Noting that the district court's decision was rendered before *Kellogg*, and, therefore, the distinctiveness of the VICTORIA'S SECRET Mark was not explicitly considered by the district court, the Sixth Circuit went on to consider whether the VICTORIA'S SECRET Mark was, in fact, distinctive. It concluded that the VICTORIA'S SECRET Mark is indeed distinctive, and stated:

> **[T]he "Victoria's Secret" mark ranks with those that are "arbitrary and fanciful" and is therefore deserving of a high level of trademark protection.** Although the district court applied a slightly different test from the one now established in this circuit, the court would undoubtedly have reached the same result under the Nabisco test.

V Secret Catalogue, 259 F.3d at 470-471. (emphasis added)

Having found that the VICTORIA'S SECRET Mark was famous (which the Moseleys' admitted[2]), and distinctive, and that the use of the Victor's Little Secret name was a commercial usage, the Sixth Circuit next considered whether the Moseleys' use of the name Victor's Little Secret caused dilution under the FTDA. The Sixth Circuit noted the district court's definition of dilution, which stated:

> Dilution corrodes a trademark by "blurring its product identification or by damaging positive associations that have attached to it." [*Panavision*, 141 F.3d at 1324.] Dilution through tarnishing that may create a negative association with the goods or services covered by the senior mark." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 614 (E.D. Va. 1997). In order to dilute a more senior mark, the junior mark must be sufficiently similar. We find that Defendants' mark is sufficiently similar.n3

V Secret Catalogue, 259 F.3d at 471.

However, the Sixth Circuit added the following footnote to the above definition:

> n3The Moseleys argue that the district court erred in finding the marks "sufficiently similar." The Moseleys assert that the marks must be found to be "substantially similar." However, as held in *Nabisco*, the requirement is that "the marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior." **Measured by this standard, there can be little doubt that "Victor's Little Secret" does, in fact, conjure an association with the "Victoria's Secret" mark.**

2. *V Secret Catalogue*, 259 F.3d at 467, 171.

Id. (emphasis added)

A. The Sixth Circuit Sets A Standard For Dilution And Adopts *Nabisco* Over *Ringling Bros.*

Acknowledging the *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999), and *Nabisco* decisions as representative of a divergence of statutory interpretation of the FTDA, the Sixth Circuit analyzed both decisions and adopted the *Nabisco*, rather than the *Ringling Bros.*, interpretation, stating:

> Despite the Fourth Circuit's somewhat persuasive arguments, we conclude that the *Nabisco* test both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA. **Legislative history surrounding the statute's enactment demonstrates that the legislators were attempting to ensure that plaintiffs could find a nationwide remedy for dilution claims, as distinct from the Lanham Act's established protection for trademark infringement. As the Congressional Record indicates, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."**

H.R. Rep. No. 104-374 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1032.

This passage is important in two respects. **First, it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim is a property right in the "potency" of a mark** . . . [This demonstrates] an understanding that the right to be protected is in a mark's distinctiveness. **Second**, the passage's latter half — "confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark" — **evinces an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark.** In such a case, proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available, and proof would be limited to the sorts of consumer surveys that the Fourth Circuit itself admits are unwieldy at best. We think that both these factors weigh in favor of adopting the Second Circuit's test. **Most importantly, as the Fourth Circuit again concedes, requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult.** With such a broad remedy considered in the Act's legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable.

V Secret Catalogue, 259 F.3d at 475-476. (emphasis added)

Clearly, the Sixth Circuit's review of the FTDA and its legislative history provided the court with a basis for adopting the Second Circuit's analysis of the FTDA in *Nabisco*, and rejecting the Fourth Circuit's analysis of the FTDA in *Ringling Bros.*

B. Applying The *Nabisco* Test To The Moseleys' Use Of Victor's Little Secret, The Sixth Circuit Affirmed The District Court And Correctly Held That Such Use Violated The FTDA

Having concluded that the *Nabisco* test, rather than the *Ringling Bros.* test, applies to a dilution claim, the Sixth Circuit stated:

> **Rather, we must ask whether a consumer would link a store called "Victor's Little Secret" that sold women's lingerie with the more famous Victoria's Secret. We have little doubt that the average lingerie consumer would make just such an association** . . . [T]his is a case that highlights the distinction between an infringement and a dilution claim. While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name "Victor's Little Secret" are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop. **This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment).** Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors.

V Secret Catalogue, 259 F.3d at 477. (emphasis added)

Accordingly, the Sixth Circuit concluded that proof of actual harm to a famous mark is *not* required prior to a finding of liability for dilution and granting injunctive relief.

II. THE SIXTH CIRCUIT'S DECISION THAT THE FTDA DOES NOT REQUIRE PROOF OF ACTUAL HARM IS THE CORRECT INTERPRETATION OF THE STATUTE

The Sixth Circuit's conclusion that proof of actual harm to a famous mark is *not* required prior to a finding of liability for dilution and granting injunctive relief, is in total accord with the FTDA, the purpose and intent of the Act, and potential future revisions to the Act, which are more fully discussed below.

A. The Federal Trademark Dilution Act

Section 43(c)(1) of the Lanham Act, 15 U.S.C. § 1125,[3] states, in pertinent part:

> The owner of a **famous** mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark becomes famous and causes dilution of the distinctive quality of the famous mark, and to obtain such other relief as is provided in this subsection. (emphasis added)

3. Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c), was adopted by Congress pursuant to the Federal Trademark Dilution Act of 1995. Pub. L. No. 104-98, 109 Stat. 985 (1996).

Section 43(c)(2) of the Lanham Act, 15 U.S.C. § 1125, states:

> In an action brought under this subsection, the owner of a famous mark shall be entitled only to injunctive relief as set forth in section 34 unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of a famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

Section 45 of the Lanham Act, 15 U.S.C. § 1127, states, in pertinent part:

> The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of —
>
> (1) competition between the owner of the famous mark and other parties, or
>
> (2) likelihood of confusion, mistake, or deception.

Although Sections 43 and 45 of the Lanham Act were only enacted in 1996, the concept of dilution originated in the late 1920's in the seminal article by Frank I. Schechter[4] in which he posited:

> **It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on upon non-**

4. Schechter's theory was referred to favorably in the House by Congressman Moorhead, in testimony before the House Subcommittee on the FTDA and was also referenced in the *Ringling Bros.*, *Nabisco and V Secret Catalogue* cases. *See* II. B., *infra*.

> **competing goods.** The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used. (emphasis added)[5]

Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927), *reprinted in* 60 Trademark Rep., 334, 342 (1979).

B. The Legislative Intent Of The FTDA Does Not Indicate That "Actual Harm" Was Intended To Be Required

The House Report contains the following commentary on the purpose of the FTDA[6]:

> **The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.** H.R. 1295 does this by amending Section 43 of the Trademark Act of 1946 to add a new subsection (c) to provide protection against anothers commercial use of a famous mark which results in dilution of such mark. Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in H.R. 1295 against

5. The *Nabisco* and *V Secret Catalogue* courts are in accord with Schechter's theory, however, the *Ringling Bros.* court rejected his theory. *Nabisco*, 191 F.3d at 217; *V Secret Catalogue*, 259 F.3d at 476; *Ringling Bros.*, 170 F.3d at 454.

6. H.R. REP. NO. 104-374, at 2-3 (1995).

> trademark dilution will bring uniformity and consistency to the protection of famous marks and is also consistent with our international obligations in the trademark area.
>
> H.R. 1295 would add a new section 43(c) to the Lanham Act, 15 U.S.C. et seq., to create a federal cause of action to protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks and, thereby, dilute their distinctive quality. **The provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark . . . Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.**
>
> **The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception or mistake. Rather, it applies when the unauthorized use of a famous mark reduces the publics perception that the mark signifies something unique, singular, or particular. As summarized in one decision:**
>
> **Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by anothers use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.**

Mortellito v. Nina of California, Inc., 335 F. Supp. 1288, 1296, 173 U.S.P.Q. 346, 351 (S.D.N.Y. 1972). (emphasis added)

In Congress, H.R. 1295[7] was supported by Congressman Moorhead, who remarked:

> The concept of dilution dates as far back as 1927, when the Harvard Law Review published an article by Frank I. Schechter in which it was argued that coined or unique **trademarks should be protected from the "gradual whittling away or dispersion of the identity and hold upon the public mind" of the mark by its use on noncompeting goods**. Today approximately 25 States have laws that prohibit trademark dilution.
>
> * * *
>
> **With respect to remedies, the bill limits the relief a court could award to an injunction unless the wrongdoer willfully intended to trade on the trademark owner's reputation or to cause dilution, in which case other remedies under the Trademark Act become available.**

141 CONG. REC. H14317 (daily ed. Dec. 12, 1995) (statement of Rep. Moorhead). (emphasis added)

In support of H.R. 1295, Congress heard, *inter alia*, the following testimony:

> 1. Philip G. Hampton, II, Assistant Commissioner For Trademarks, U.S. Patent and Trademark Office, who testified that "A finding of likelihood of confusion is limited to situations where consumers are likely to be confused as to the origin of the goods or services at issue. **On the other hand, dilution is a much broader concept.** Under H.R. 1295 it will

7. H.R. 1295, 104th Cong. (1995).

> not be necessary to establish that consumers will be likely to confuse the source of the goods or services, but, rather, that the capability of the mark to identify the registrant's goods or services will be diminished by the other party's unauthorized use of the mark." (emphasis added); and
>
> 2. Mary Ann Alford, Executive Vice President, International Trademark Association, who testified that "The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception, or mistake. **Rather, it applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.**"
>
> Ms. Alford then cited *Mortellito*, *supra*, as well as Frank Schechter's seminal definition of dilution in his thesis entitled "The Rational Basis of Trademark Protection," 40 Harv. L. Rev. 813, 825 (1927).

House Judiciary Courts and Intellectual Property Trademarks Legislation: Hearings On H.R. 1295 Before the House Comm. on the Judiciary, Subcomm. on Courts and Intellectual Property, 104th Cong., 1st Sess. (1995).

> **1. The Legislative Intent Of The FTDA On Blurring And Tarnishment, As Forms Of Dilution, Does Not Require Proof Of "Actual Harm"**

The legislative history of the FTDA specifically addresses the protection of a famous mark from dilution by tarnishment as one of its purposes.[8]

8. H.R. REP. NO. 104-374, at 2-3 (1995).

By definition, tarnishment of a famous mark constitutes dilution, and automatically causes harm to a famous mark. The Sixth Circuit found tarnishment of the VICTORIA'S SECRET Mark and stated that Victoria's Secret is entitled to prohibit the use of a mark, which causes dilution of its famous mark, in particular, where the usage of the mark "Victor's Little Secret" on goods, including adult videos, sex toys and adult novelties, tarnishes the mark. *V Secret Catalogue*, 259 F.3d at 467.

The Harvard Law Review, in a commentary on *V Secret Catalogue*, discussed tarnishment and concurred with the Sixth Circuit's conclusion that actual harm is not required and referenced the lack of such a provision in the FTDA. The article stated:

> The value of a mark threatened by tarnishing activity, however, will likely diminish considerably by the time the mark's owner can show actual harm. Because the FTDA provides no remedy for actual harm caused by dilution, a victim of dilution by tarnishing will inevitably suffer irreparable loss if unable to secure an injunction without showing actual harm. Thus, as V Secret Catalogue makes clear, a court need not engage in the complicated, time-consuming Nabisco test to determine whether harm is likely. **Because tarnishing, by definition, causes harm automatically upon triggering in consumers' minds an association between the mark and the tarnishing activity, the simple test employed by the V Secret Catalogue court-whether the allegedly diluting mark triggers such a connection-can appropriately replace the more difficult Nabisco analysis.**

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The legislative history of the FTDA also specifically addresses the protection of a famous mark from dilution by blurring as one of the purposes of the FTDA.[9] While the Fourth Circuit, in *Ringling Bros.* concluded that proof of actual harm is necessary before granting injunctive relief, the issue before the court was dilution solely by blurring. *Ringling Bros.* is distinguishable from *V Secret Catalogue*, where the issue before the Sixth Circuit was dilution by blurring *and* tarnishment.

C. The Fourth Circuit's Decision in *Ringling Bros.* On The Issue Of Actual Harm Is Contrary To The Intent Of The FTDA

A review of the legislative history of the FTDA does not support the Fourth Circuit's holding in *Ringling Bros.* that the FTDA requires proof of actual harm to a famous mark prior to a finding of liability for dilution and granting injunctive relief.

The *Ringling Bros.* court refused to express an opinion whether the FTDA would require proof of actual harm to the owner of a famous mark where the mark was replicated identically:

> Ringling claims that exact interpretation for the Act where identical marks are involved. Relying on that portion of the legislative history explaining that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under the [Act]," Ringling asserts that this indicates that in such cases the required "mental association" is "presumed." (Appellant's Br. at 14 quoting (H.R. Rep. No. 104-374, at 3 (1995)). Coupled with Ringling's consistently maintained position that "mental association" equals "dilution," the two in tandem would come to property rights in gross in this narrow circumstance. We need express no view

9. H.R. REP. NO. 104-374, at 2-3 (1995).

> on the significance of this excerpt from legislative history in that circumstance. As Ringling recognizes, it speaks directly only to the effect of an identical replication which is not involved in this case.

Ringling Bros., 170 F.3d at 459, n.5.

While not addressing the issue of identical replication of a famous mark, the *Ringling Bros.* court left open the possibility that, in such a case, dilution could be automatic. In so doing, it implicitly created a double standard, whereby actual harm is not required if there is identical replication of a famous mark, but is required if the replication is not identical.

Victoria's Secret submits that regardless of whether there is an identical or a non-identical replication of a famous mark, the issue of whether dilution has been caused depends upon the facts and should be analyzed in view of the contextual factors, as in *Nabisco*, rather than on whether actual harm to the mark has occurred.

The FTDA only applies to the dilution of famous marks which are distinctive. Further, the legislative intent of the FTDA clearly states that use of famous marks such as "DUPONT shoes, BUICK aspirin and KODAK pianos would be actionable under this legislation".[10] There is no reference to any requirement of actual harm in Congress' example of the dilution of famous marks, which the FTDA was intended to remedy.

Moreover, Congress' intent in enacting the FTDA was to remedy the loss of a famous mark's distinctiveness, not solely its quantifiable economic value, which the *Ringling Bros.* opinion confines the application of the FTDA to. The Senate Judiciary Report on the 1988 dilution bill stated that the Act would apply when the unauthorized use of a famous mark has the effect of destroying the public's perception that the mark signifies something unique, singular, or particular, and

10. H.R. REP. NO. 104-374, at 2-3 (1995).

also noted that the distinctive quality of a mark could be materially reduced during a period of rising sales.[11]

Accordingly, under the FTDA, while a loss of a famous mark's distinctiveness could result in an economic loss, it could also occur when there is an economic gain to the owner of the famous mark.

D. Congress Is Considering Draft Legislation To Amend The FTDA

The intent in enacting the FTDA was to provide a consistent nationwide federal remedy for dilution of famous marks, as state anti-dilution statutes were often inconsistently applied.[12]

Even the Fourth Circuit in *Ringling Bros.* noted this inconsistency and stated:

> **[T]he sheer difficulty that courts have had in getting a firm handle on the basic concept of "dilution" as cryptically expressed in the typical state statute in an unelaborated reference to the "dilution of the distinctive quality of a mark." E.g., N.Y. Gen. Bus. Law § 360-l.**

Ringling Bros., 170 F.3d at 455. (emphasis added)

Many state anti-dilution statutes apply to all marks,[13] whereas the FTDA *only* protects "famous" marks,[14] as defined, from dilution. The enactment of the FTDA provided a narrower nationwide remedy for dilution of famous marks, than the

11. S. REP. NO. 100-515, at 41-45 (1988).

12. H.R. REP. NO. 104-374, at 2-3 (1995).

13. See N.Y. Gen. Bus. Law § 360-l (2001).

14. Contrary to Petitioners' allegation, the FTDA does not create a property right in gross or a "monopoly of use for certain 'famous' words of the English language". Petition at 7.

various state anti-dilution statutes, which provide injunctive relief for the dilution of distinctive marks. While the intent was to provide a consistent national approach to dilution, as evidenced by *Ringling Bros.* and *Nabisco*, the interpretation of the FTDA by the courts has, to date, not been consistent, which has not gone unnoticed.

Recently, on February 14, 2002, Congress[15] heard testimony on the developing split in the Circuits, *see* V, *infra*, with respect to the interpretation of the FTDA and proposed draft legislation amending the Lanham Act to clarify Congress' intent that the standard for injunctive relief is "likely to cause dilution" and the FTDA does not require a showing of actual harm.[16]

III. THE "PLAIN MEANING" OF THE LANHAM ACT AND THE FTDA DO NOT REQUIRE ACTUAL HARM PRIOR TO A FINDING OF DILUTION

A. Trademark Amendments Act Of 1999

Contrary to Petitioners' argument, the Sixth Circuit's decision in *V Secret Catalogue* does not violate this Court's "plain meaning" rule of statutory interpretation, as set forth in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985) and *United States v. Labonte*, 520 U.S. 751, 757 (1997), that the ordinary meaning of the language employed by Congress accurately expresses the legislative purpose. Petition at 22-24. In fact, an analysis of the Lanham Act and the FTDA indicates that the "plain meaning" of the legislation does not support the Fourth Circuit's finding that actual harm is required prior to a finding of dilution and granting injunctive relief.

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15. Oversight Hearing on The Federal Trademark Dilution Act Before the House Comm. on the Judiciary, Subcomm. on Courts, The Internet and Intellectual Property, 107th Cong., 2d Sess. (2002); *see* Appendix A, *infra*, 1a-50a.

16. The proposed draft legislation is attached. *See* Appendix B, *infra*, 51a-52a.

Pursuant to the Trademark Amendments Act of 1999,[17] Section 2 of the Lanham Act, 15 U.S.C. § 1052, provides, in pertinent part:

> A mark which when used would cause dilution under section 43(c) may be refused registration under section 13. A registration for a mark which when used would cause dilution under section 43(c) may be canceled pursuant to a proceeding brought under either section 14 or section 24.

In addition, Section 13(a) of the Lanham Act, 15 U.S.C. § 1063(a), was also amended, to now provide, in pertinent part:

> Any person who believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution under section 43(c), may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor . . .

Thus, Sections 2 and 13 of the Lanham Act now provide that a mark shall be refused registration on the principal register and an opposition may be filed against registration of such mark, if it "would cause dilution under section 43(c)"; and are not defined in accordance with a "likelihood of dilution" standard. 15 U.S.C. § 1052.

In accord with these amendments, an opposition proceeding may be commenced against registration of a mark published for opposition, regardless of whether such mark has actually been used or not, and is merely the subject an intent-to-use application under Section 1(b) of the Lanham Act. *The Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164, 1174 n.7 (TTAB 2001). *See also* H.R. REP. NO. 106-250, at 5-6 (1999).

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17. Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999).

Thus, the plain meaning of the Lanham Act is that the causation of dilution under Section 43(c) does *not* require actual use of a mark, as an opposition proceeding based on dilution can be brought against a mark that is not in use, only intended to be used, and that, proof of actual harm is not required, nor can it be shown.

Petitioners urge a tortured interpretation, which does not permit the various sections of the Lanham Act to be harmonized, as is required by well established rules of statutory interpretation. *Markham v. Cabell*, 326 U.S. 404, 411 (1945).

B. The *Ringling Bros.* Opinion Contravenes the "Plain Meaning" of the FTDA and the Lanham Act

The Fourth Circuit's interpretation of the phrase "causes dilution" in Section 43(c) of the Lanham Act as requiring "actual harm to the senior marks' economic value as a product-identifying and advertising agent" to be proven, and Petitioners' argument in support thereof, are contradicted by the plain meaning of the Lanham Act and the intent of Congress when the Lanham Act was amended by the Trademarks Amendments Act of 1999. *Ringling Bros.*, 170 F.3d at 453.

The Fourth Circuit also interpreted the definition of dilution in Section 45 of the Lanham Act, 15 U.S.C. § 1127, namely, that "the term dilution means *the lessening of the capacity* of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of a famous mark and other parties, or (2) likelihood of confusion, mistake, or deception" (emphasis added) and held that:

> The literal parsing argument for mere threatened, future economic harm focuses on the word "capacity" in the Act's definition of "dilution" as the "lessening of the capacity of a famous mark to identify and distinguish goods or services."

15 U.S.C. § 1127. "Capacity," the argument runs, necessarily imports futurity; it means in this context the ability of a mark continuously over future time to "identify and distinguish," even if it has not yet suffered any lessening of that ability. **We cannot accept that interpretation as a matter of the Act's plain meaning. We think it is belied both by the word's ordinary intrinsic meaning and by its use in context. One can surely speak expressly of "present capacity," or of "future capacity," or of a "former capacity," but unless it is so temporally modified or otherwise given its intended temporal meaning, the word is neutral in that respect. In context here, it is plain that the "capacity" spoken of is "former capacity."** The verb of which it is the object is the clear indicator; the conduct proscribed is that which "lessens" capacity, not that which "will" or "may" lessen. Id. There are other contextual indicators. The conduct proscribed is "another person's . . . use," not merely threatened use; that "causes," not that "will" or "may" cause. Id. § 1125(c)(1). Unlike the state antidilution statutes which provide only injunctive relief, reflecting their sole focus on prevention of future harm, the federal Act provides that where willful conduct is shown, both compensatory and restitutionary relief may be awarded—for necessarily consummated economic harm. Id. §§ 1125(c)(2), 1117(a), 1118.

Ringling Bros., 170 F.3d at 460-461. (emphasis added).

The Fourth Circuit's interpretation of the definition of dilution contradicts the plain meaning of Section 43(c)(2) of the Lanham Act, which provides for injunctive relief upon a showing of dilution under Section 43(c)(1) and for monetary relief pursuant to Section 35 of the Lanham Act, 15 U.S.C. § 1117, upon a showing of willful intent to cause dilution.

Injunctive relief is, as the Fourth Circuit recognizes, intended for the prevention of future harm. Thus, to obtain injunctive relief, actual harm need not be shown; it is enough to show a likelihood of harm. In contrast, monetary relief is a form of restitution for past harm and upon a showing of willful intent to cause dilution, the owner of a famous mark is entitled to such remedy pursuant to Section 43(c)(2).

Historically, under the Lanham Act, there has been a distinction between likelihood of confusion, which results in injunctive relief, and actual harm or confusion, which is required to obtain monetary relief. As the Second Circuit held in *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1541 (2d Cir. 1992), *cert. denied*, 506 U.S. 991 (1992) (holding that willful intent to deceive is necessary to obtain an accounting of profits in a claim of trademark infringement):

> Of course, even when a likelihood of confusion does arise, that does not inexorably lead to the conclusion that the defendant acted with deliberate deceit. Depending upon the circumstances, consumer confusion might as easily result from an innocent competitor who inadvertently crosses the line between a "free ride" and liability, as it could from a defendant's intentionally fraudulent conduct.

The Fourth Circuit, by requiring proof of actual harm to establish liability for causing dilution under Section 43(c)(1), which results in injunctive relief, is conflating the standard required for liability with that set forth under Section 43(c)(2), that to obtain monetary relief; willful intent to cause dilution or actual harm must be shown.

C. The *Ringling Bros.* Opinion Also Contravenes The Intent Of The Lanham Act

Section 45 of the Lanham Act, 15 U.S.C. § 1127, provides, in pertinent part, that the intent of the Act is:

> **to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce;** . . . (emphasis added)

Section 32(a) of the Lanham Act, 15 U.S.C. § 1114, provides, in pertinent part:

> Any person who shall, without the consent of the registrant- (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is **likely to cause confusion, or to cause mistake, or to deceive;** . . .
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided. **Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.** (emphasis added)

The intent of the Lanham Act is to protect consumers from confusion as to the source and quality of goods and to protect the intangible goodwill inherent in trademarks,[18] which is not necessarily quantifiable in terms of actual economic harm. The Lanham Act provides for injunctive relief for trademark

18. S. REP. NO. 1333, at 3 (1946).

infringement, upon a finding of likelihood of confusion, mistake or deceit. It is not necessary to prove actual confusion or harm, to obtain injunctive relief for a claim of trademark infringement.

Dilution, which seeks to protect the distinctiveness of a famous mark and which is defined, in part, as the lessening of the capacity of a famous mark to identify and distinguish goods, is also not necessarily quantifiable in terms of actual economic harm. A junior user's use of a mark may cause dilution of the senior user's famous mark, without necessarily causing immediate actual economic harm. The Lanham Act provides for injunctive relief against dilution when it occurs. If dilution of a famous mark were allowed to continue until actual economic harm is shown to the famous mark, the intangible goodwill in, and value of, such a famous mark would likely be irreparably destroyed.

To require, as *Ringling Bros.* does, proof of actual economic harm, prior to finding dilution and granting injunctive relief, is to impose a stricter standard for dilution, which is a broader concept than infringement, than the Lanham Act requires for infringement, which only requires a likelihood of confusion.

The *Nabisco* (and *V Secret Catalogue*) courts' decisions are in accord with the plain meaning and intent of the Lanham Act and FTDA and, contrary to Petitioners' argument, do not "indulge in a presumption that there will be future harm to the senior mark". Petition at 6.

IV. THE SECOND CIRCUIT'S ANALYSIS OF THE FTDA IN *NABISCO* CORRECTLY REJECTED THE FOURTH CIRCUIT'S *RINGLING BROS.* OPINION THAT THE FTDA REQUIRES ACTUAL HARM

The Second Circuit *Nabisco* court correctly defined the heart of what dilution law is intended to prevent as the "'gradual diminution or whittling away of the value of the famous mark by blurring uses by others.'" *Nabisco*, 191 F.3d at 214 (citing

Nabisco, Inc. v. PF Brands, Inc., 50 F. Supp. 2d 188, 209-10 (S.D.N.Y. 1999)). The Second Circuit's analysis is in accord with the definition of dilution in the FTDA, as enacted by Congress, and the theory of dilution developed by Schechter.

In interpreting the FTDA, the *Nabisco* court held that the famous mark must be distinctive and the junior mark must cause dilution of the distinctive quality of the senior mark:

> It is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element. The operative language defining the tort requires that "the [junior] person's . . . use . . . cause[] dilution of the distinctive quality of the [senior] mark." 15 U.S.C. § 1125(c)(1). **There can be no dilution of a mark's distinctive quality unless the mark is distinctive.** Furthermore, the statute lists factors to be considered in determining "whether the mark is distinctive and famous." Id. Clearly both qualities are required.
>
> The requirement of distinctiveness is furthermore an important limitation. A mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the antidilution statute seeks to protect . . . **It seems most unlikely that the statute contemplates allowing the holders of such common, albeit famous, marks to exclude all new entrants. That is why the statute grants that privilege only to holders of distinctive marks.**

Nabisco, 191 F.3d at 216. (emphasis added)

The *Nabisco* court specifically addressed the *Ringling Bros.* court's interpretation of the FTDA as requiring actual harm to a famous mark, yet rejected its interpretation as not being in accord with the intent of the FTDA:

> Relying on a recent decision by the Fourth Circuit, Nabisco also asserts that proof of dilution under the

FTDA requires proof of an "actual, consummated harm." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999). We reject the argument because we disagree with the Fourth Circuit's interpretation of the statute.

It is not clear which of two positions the Fourth Circuit adopted by its requirement of proof of "actual dilution." *Id.* The narrower position would be that courts may not infer dilution from "contextual factors (degree of mark and product similarity, etc.)," but must instead rely on evidence of "actual loss of revenues" or the "skillfully constructed consumer survey." *Id.* at 457, 464-65. This strikes us as an arbitrary and unwarranted limitation on the methods of proof.

* * *

"Contextual factors" have long been used to establish infringement. We see no reason why they should not be used to prove dilution. n5.

n5 The Fourth Circuit seemed to believe that the unacceptable alternative was to rely on inflexible "judicial presumptions." *Id.* at 464. In our view no presumptions are involved. As in infringement actions (and virtually all other areas of law) facts may be found by drawing logical inferences from other established facts.

The broader reading of the Fourth Circuit's "actual, consummated" dilution element would require not only that dilution be proved by a showing of lost revenues or surveys but also that the junior be already established in the marketplace before the senior could seek an injunction. We recognize that the

language of the statute gives some support to this reading, in that it uses the formulation, "causes dilution," rather than referring to "likelihood of dilution." *Ringling Bros.*, 170 F.3d at 464. In our view, however, such a reading depends on excessive literalism to defeat the intent of the statute. **Notwithstanding the use of the present tense in "causes dilution," it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs.**

To read the statute as suggested by the Ringling opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), see 15 U.S.C. § 1125(c)(2), such injury would never be compensated.

* * *

> In any event, we read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, before the dilution has actually occurred.

Nabisco, 191 F.3d at 223-225. (emphasis added)

Respondents submit that the Sixth Circuit in *V Secret Catalogue* correctly adopted the Second Circuit's decision in *Nabisco* holding that actual harm is not required prior to finding injunctive relief.

V. THE MAJORITY OF CIRCUITS AND DISTRICT COURTS APPLY THE *NABISCO VIEW* OF THE FTDA AND REJECT THE *RINGLING BROS. VIEW*

The Sixth Circuit is not alone in its adoption of the *Nabisco* view of the FTDA.

The Seventh Circuit explicitly adopted the *Nabisco* decision in *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000). In addition, the Third Circuit in *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, in a majority opinion applied the Second Circuit's dilution analysis in *Nabisco* to the facts and the dissenting opinion agreed with the majority's implicit rejection of the Fourth Circuit's *Ringling Bros.* opinion. *Times Mirror*, 212 F.3d 157, 168-169, 179 n.11 (2000).

Further, the First Circuit in *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998), rejected the requirement that a plaintiff claiming dilution must demonstrate a lessening of demand for its products in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 616 (E.D. Va. 1997).

In contrast, the Fourth Circuit's decision in *Ringling Bros.* has only been adopted by *one* other circuit, namely, the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000), which was adopted without analysis.

In sum, the *Nabisco* decision prevails over the *Ringling Bros.* opinion in the Circuits by a majority of 5-2.

Moreover, an analysis of the Circuits' and district courts' opinions reveals that a majority of courts are applying the *Nabisco* factors to an analysis of dilution under the FTDA, as the Sixth Circuit did in *V Secret Catalogue*. *See* Appendix C, *infra*, 53a-54a.

In view of the foregoing, Respondents submit that the *Ringling Bros.* opinion, for which the Supreme Court denied a petition for a writ of certiorari,[19] and which was rejected in *V Secret Catalogue*, is a divergent decision.

Accordingly, at this time, the intervention of the Supreme Court is not necessarily required in this case, and the issue raised by Petitioners could be deferred to the Congress. This would not be the first issue the Supreme Court had declined to address in which there were divisions within the Circuits on the issue. *See George Basch Co. v. Blue Coral, Inc.*, 506 U.S. 991 (1992).

Moreover, Congress is now in the process of hearing testimony on the developing split in the Circuits with respect to the interpretation of the FTDA and considering draft legislation to amend the Lanham Act to provide for a "likely to cause dilution" standard, which would clarify Congress' intent that the FTDA does not require a showing of actual harm in order to obtain injunctive relief for dilution. *See* Point II. D., *supra*; Appendix B, *infra*, 51a-52a.

In sum, Petitioners' argument that the Fourth Circuit's requirement of actual economic harm in *Ringling Bros* is an objective standard and the Second and Sixth Circuits' decisions in *Nabisco and V Secret Catalogue* are a subjective standard is not only irrelevant; it ignores the fact that the Fourth Circuit's decision in *Ringling Bros.* and the Fifth Circuit's endorsement of such a position in *Westchester Media*, 214 F.3d 658, directly contradict the plain meaning and legislative history and intent of the FTDA.

Petitioners' argument is a goal oriented argument of statutory interpretation and construction, which is patently intended to focus the Court on an improper dichotomy, placing greater value, without a basis for doing so, on a so-called objective standard based on "actual economic harm" (*Ringling*

19. 528 U.S. 923 (1999).

Bros.) over a subjective standard based on "likelihood of dilution" (*Nabisco*).

CONCLUSION

For the foregoing reasons, Respondents respectfully submit that Petitioners' Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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APPENDIX

APPENDIX A — "OVERSIGHT HEARING ON THE FEDERAL TRADEMARK DILUTION ACT", FEBRUARY 14, 2002

SUBCOMMITTEE ON COURTS, THE INTERNET AND INTELLECTUAL PROPERTY

COMMITTEE ON THE JUDICIARY
U.S. HOUSE OF REPRESENTATIVES

OVERSIGHT HEARING
ON
"THE FEDERAL TRADEMARK DILUTION ACT"

Thursday, February 14, 2002
2141 Rayburn House Office Building
10:00 a.m.

WITNESS LIST

Kathryn Barrett Park, Executive Vice President, International Trademark Association (INTA)

Michael K. Kirk, Executive Director,
American Intellectual Property Law Association (AIPLA)

Sherry L. Jetter, Esq., Vice President, Intellectual Property
Polo Ralph Lauren Corporation

Ethan Horwitz, Partner, Darby and Darby, P.C.

Appendix A

STATEMENT OF
THE HONORABLE HOWARD COBLE,
CHAIRMAN SUBCOMMITTEE ON COURTS,
THE INTERNET, AND INTELLECTUAL PROPERTY

HEARING ON
THE FEDERAL TRADEMARK DILUTION ACT

February 14, 2002

Good Morning. The Subcommittee will come to order.

We communicate through words and symbols on a daily basis. The trademarks for our favorite – *fill in the blank yourself* – product or service, whether it is our favorite automobile, sports team, beverage, and the list goes on, immediately makes it known to us and the world. The foundation of trademark law is that certain words, images, and logos convey meaningful information to the public including the source, quality, and goodwill of a product or service. Unfortunately, there are those in both commercial and non-commercial settings that would seize upon the popularity of someone's trademark for their own purposes, at the expense of the mark-holder and the public.

During the 104th Congress, the Federal Trademark Dilution Act, or FTDA, was enacted. It sought to create a degree of national uniformity to the law and certainty regarding the protection of trademarks. Dilution refers to that conduct that lessens the distinctiveness and value of a mark It includes several types of conduct such as what is known as "tarnishment" and "blurring," which may have devastating effects for everyone involved, but most alarmingly, on consumers and the public.

Appendix A

Now, more than five years after its enactment, it is appropriate for our Subcommittee to review the success of the FTDA, and whether any amendments are needed. We are fortunate to be joined by a talented panel whose expertise in trademark law ranges from litigation, to corporate counsel, to those regularly engaged with us concerning public policy. In my view, I am most interested in learning whether the courts are properly interpreting the FTDA according to our congressional intent and why there appears a split developing among the federal circuit courts of appeal.

I now turn to the Ranking Member, Mr. Berman, for his statement.

Appendix A

Statement of the Honorable Howard L. Berman
for the
Subcommittee on Courts, the Internet, and
Intellectual Property Hearing on
"The Federal Trademark Dilution Act"

February 14, 2002

Mr. Chairman:

I am pleased to join you at this hearing today. My thanks to our distinguished witnesses for appearing here and sharing their expertise on trademark dilution.

It has been about six years since we enacted the Federal Trademark Dilution Act. Thus, sufficient time has passed to allow us to review whether the Dilution Act has accomplished its objectives, and to see how the Act has been interpreted by the courts. I commend the Chairman for diligently exercising the Subcommittee's oversight responsibility by calling this hearing.

The 1995 House Judiciary Committee Report on the Dilution Act essentially constitutes the whole legislative history of the Act. As that Report indicates, the purpose of the Act is "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." Further, as state trademark dilution laws were spotty and inconsistent at the time, the Dilution Act was designed to "bring uniformity and consistency to the protection of famous marks."

Appendix A

While the Dilution Act has demonstrated obvious utility in a number of court cases over the past six years, it appears to have fallen short of achieving its objective of providing a uniform, national dilution law. This failure is due to a significant split among the Circuits over proper interpretation of a key element of the Dilution Act. This split has lead to the undesirable result that, in effect, a different Dilution law applies depending on the judicial circuit in which one is located.

In short, the Fourth and Fifth Circuits have interpreted the Dilution Act to require, among other things, demonstration of actual dilution to maintain a case under the Act. The First, Second, Third, and Seventh Circuits, on the other hand, only require demonstration of a likelihood to cause dilution. The Supreme Court has evidenced no inclination to resolve this split.

The unresolved split among the Circuits seems to necessitate further legislative clarification. Certainly, it is the responsibility of Congress to step in and clarify the meaning of statutes over which the courts significantly differ.

While I am persuaded we should clarify the Dilution Act to provide one clear standard, I am as yet unsure of the appropriate standard. I look forward to hearing the educated opinions of our witnesses about the standard we should adopt.

The two standards adopted by the conflicting circuits appear to each have their pros and cons. Certainly, the "actual dilution" standard adopted by the Fourth and Fifth Circuit is consistent with a reasonable interpretation of the actual language of the Dilution Act. However, that standard seems rather restrictive, and may lead to absurd results.

For instance, an "actual dilution" standard means that injunctions, which are the exclusive remedy for non-willful violations of the Dilution Act, can only be secured *after* a trademark has been diluted. Thus, injunctions can only stop further dilution, but cannot stop or remedy prior dilution. Further, mark owners face the threat that they will be found to have abandoned their marks if they fail to aggressively police and prevent infringement and dilution of their marks. An actual dilution standard, however, requires a mark holder to countenance some dilution before she can file a dilution claim. Lastly, an actual dilution standard prevents an upstart company from seeking a declaratory judgement that its junior mark will *not* dilute a senior mark, and thus causes the upstart to risk the loss of any investment in use of a junior mark that is later enjoined as dilutive.

The likelihood of dilution standard also has its pros and cons. While it is less supportable from a statutory interpretation perspective, it can clearly be inferred from the current statute. A likelihood of dilution standard would seem more closely aligned with the purposes of the original dilution statute, both by more effectively preventing dilution and by creating a uniform national standard. Indeed, the twenty or more states that have their own dilution statutes have overwhelmingly adopted a likelihood of dilution standard.

However, a likelihood of dilution standard is not without its drawbacks. There is the question of whether such a standard goes too far, and in contravention of the rationale for trademark protection, would create a property right in gross in marks. Further, even those courts that have applied a likelihood of dilution standard have disagreed about the level

of proof necessary to prove such a likelihood. Finally, there is a question about the effect such a standard will have on the longstanding principle of trademark law that similar or identical marks can coexist, often in the same markets or on similar products or services in different markets.

Once again, I look forward to hearing from our witnesses about the appropriate way to resolve the split in the circuits. I look forward to working with the Chairman to achieve that end.

I yield the balance of my time.

Appendix A

International Trademark Association
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Oversight Hearing on the Federal Trademark Dilution Act

Kathryn Barrett Park
Executive Vice President
International Trademark Association

U.S. House of Representatives
Subcommittee on Courts, the Internet and
Intellectual Property
February 14, 2002

Introduction

Good morning, Mr. Chairman. My name is Kathryn Barrett Park, and I currently serve as the executive vice president of the International Trademark Association ("INTA"). I am employed by INTA member General Electric as trademark counsel. As do all INTA officers, board members and committee members, I serve on a voluntary basis.

INTA supports and encourages legislative action to amend the Trademark Act of 1946 (Lanham Act)[1] to address the proper standard for injunctive relief under the Federal Trademark Dilution Act of 1995 (FTDA).[2] INTA believes that the owner of

1. 15 U.S.C. § 1051, et seq.

2. Pub. L. No. 104-98, 109 Stat. 505 (1995).

Appendix A

a famous trademark should be required to show a "likelihood of dilution" for an injunction to issue and that this was the intent of Congress when it adopted the FTDA. As the legislative history of the FTDA notes:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. T[illegible] the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."[3]

The FTDA was designed by Congress to maintain the vitality of famous trademarks. The dilution statute is meant to quarantine the dilution "infection" before it takes hold, rather than require a plaintiff to wait until the "potency" or economic value of the famous mark has been "debilitated," thereby damaging forever the effectiveness and reputation of the mark. It was for this reason that Congress specified that injunctive relief would be the primary remedy in dilution cases. An injunction permits the owner of a famous mark to stop the erosion of the value of the mark, harm for which later monetary relief would be inadequate.

However, at present, due to a difference in interpretation among circuit courts over the meaning of the dilution statute, there is confusion as to what is the proper standard for injunctive relief: "actual dilution," that is, the current

3. H.R. Rep. No. 104-374, 104th Congress (1995) (citing Mortellito v. Nina of Cal., Inc., 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

debilitation of the economic value of the famous mark or, alternatively, the "likelihood of dilution," referring to the future loss of economic value of the famous mark if the injunction is not granted. To clarify Congress' original intent and ensure the preservation of the effectiveness and reputation of famous trademarks, INTA believes that legislation should be adopted that explicitly states that "likelihood of dilution" is the proper standard.

INTA is a 123-year-old not-for-profit organization comprised of over 4,000 member companies and firms. It is the largest organization in the world dedicated solely to the interests of trademark owners. The membership of INTA, which crosses all industry lines and includes both manufacturers and retailers, values the essential role that trademarks play in promoting effective commerce, protecting the interests of consumers, and encouraging free and fair competition. Since the adoption of the Lanham Act almost 56 years ago, INTA has consistently worked with the Congress in updating the Act to meet the changing economic and legal landscapes.

Dilution of Famous Trademarks

The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is the likelihood of confusion, deception, or mistake. Rather, dilution comes into play when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.

There are two types of dilution: blurring and tarnishment. Blurring occurs when consumers "see the plaintiff's mark

used by other persons to identify other sources," so that the "unique and distinctive significance of the mark to identify and distinguish one source may be diluted and weakened."[4] Examples of blurring would include such fictional examples as BUICK aspirin tablets and KODAK pianos.[5] Tarnishment arises when a famous trademark is linked to products of inferior quality, or is portrayed in an immoral or reprehensible context likely to evoke negative beliefs about the mark's owner. An example of the tarnishment might be GARBAGE PAIL KIDS cards, where the cards "derisively depict dolls with features similar to Cabbage Patch Kids dolls in rude, violent and frequently noxious settings."[6]

The Federal Trademark Dilution Act of 1995

Congress passed the FTDA with the goal of creating a uniform anti-dilution law. Prior to the enactment of the FTDA, the issue of trademark dilution was left to the state courts. There was no federal statute by which famous trademarks could be protected against blurring and tarnishment. Judicial decisions involving dilution were "inconsistent, the reasoning often illogical."[7] In short, there was a "trademark vacuum."[8]

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4. 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:94, at 24-120 (4th ed. 2001).

5. See Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc. 875 F.2d 1026, 1031 (2d Cir. 1989).

6. Original Appalachian Artworks, Inc. v. Topps Chewing Gum, 642 F.Supp. 1031 (N.D.Ga. 1986).

7. United States Trademark Ass'n, *The Trademark Law Revision Act of 1988*, at 94 (1989).

8. USTA, supra note 5 at 94.

The matter of a statutory trademark dilution provision was addressed in the 104th Congress. After a hearing before this subcommittee in which there were several witnesses testifying in support of the dilution amendment and unanimous adoption of the bill by both houses of Congress, the FTDA was signed into law on January 16, 1996. Adoption of the FTDA also brought the U.S. in line with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which includes a provision designed to provide dilution protection to well-known marks.[9]

Now in effect for over six years, the FTDA sets out criteria that a court may consider in determining whether a mark is famous.[10] The FTDA further provides that "the owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark."[11]

Injunctive Relief: Congress' Intent to Stop Dilution Before It Takes Hold

Protection against dilution of a famous trademark is an incipiency concept that does not require the mark owner to wait until provable damage has occurred before asking the court for relief.[12] The goal is to recognize the danger posed to famous

9. H.R. Rep. No.104-374, supra note 3.

10. 15 U.S.C. § 1125(c)(1).

11. Id.

12. See Jerre B. Swann, Sr., Dilution Redefined for the Year 2000, 37 Houston Law Rev. 729, 765-766 (2000), reprinted in 90 Trademark Rep. 823, 858-860.

marks by what Senator Orrin Hatch referred to upon his introduction of the FTDA as *"subsequent uses* [of the junior user's mark] that blur the distinctiveness of the [famous] mark or tarnish or disparage it."[13] Upon recognizing the danger posed by the "subsequent uses," the next step is to take action that would protect against the mark losing its "arresting uniqueness."[14] As Congress recognized, the right tool for the job is an injunction.

Injunctions are tailor-made for disputes involving trademark dilution. An injunction is a protective remedy that will prevent continuing or threatened harm.[15] For this reason, an injunction is a famous trademark owner's most potent weapon to stop the "infection" that is dilution. The injunction stops the harm that if allowed to continue would lead to permanent injury of the famous trademark through either blurring or tarnishment. Injunctive relief preserves the distinctive character of the famous trademark and allows the mark owner to ensure that damage to the reputation of the mark is brought to a halt before the mark's potency and effectiveness are gone forever.

13. 141 Cong. Rec. S19310-11 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch)(emphasis added); see also 4 McCarthy, supra note 4, § 24:74, at 24-133 ("The traditional remedy against dilution is an injunction against the offending usage.").

14. Frank I. Schechter, The Rational Basis of Trademark Protection, 40 Harv. L. Rev. 813(1927), as reprinted in 60 Trademark Rep. 334, 345.

15. See *Black's Law Dictionary* 784 (6th ed.).

The selection of injunctive relief by Congress as the principal means by which a court may grant relief to a famous trademark owner who alleges that another party has diluted its mark is convincing evidence that Congress meant that the standard for trademark dilution is the "likelihood" standard.[16] The legislative history of the FTDA repeatedly refers to the dilution amendment as a device meant to "protect" against harm to the famous mark caused by "subsequent" or "future acts," precisely what injunctions are supposed to do.[17] Imposing an "actual dilution" standard requires famous trademark owners to suffer irreparable, crippling harm to the economic value of the mark before the court will grant injunctive relief. Once the economic harm or dilution has occurred, the damage that has taken place with respect to a famous trademark cannot be restored. As noted by courts in two recent dilution cases:

> By the time plaintiffs were permitted to file suit, . . . junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that had copied it. Senior

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16. Supra note 10 ("[T]he owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.") (emphasis added).

17. See, e.g., H.R. Rep. No. 104-374, supra note 3 ("The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." (emphasis added)); see also id. ("H.R. 1295 would . . . create a federal cause of action to protect famous marks" from having their distinctive quality diluted. (emphasis added)).

> mark holders would also be open to the argument that they had failed actively to protect their marks.[18]

The remedy of injunctive relief at the point at which actual economic harm due to dilution had already occurred would be ineffective. The "communicative clarity" of the mark has been lost.[19] INTA believes such a scenario to be contrary to the original purpose behind the adoption of statutory protections against dilution.

The Need for Clarification

Despite Congress' original intent as evidenced by the selection of injunctive relief as the principal remedy, some circuit courts have interpreted the phrase "causes dilution" in the statute to mean that a plaintiff must establish *actual* harm in order to prevail in a dilution claim under the FTDA.[20] These courts have found that the "causes dilution" language requires a showing that a challenged mark has actually lessened the senior mark's selling power and has caused concomitant economic harm to its value.[21]

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18. Eli Lilly & Co. v. Natural Answers Inc., 233 F.3d 456, 467-68 (7th Cir. 2000) (citing Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999)).

19. Swann, supra note 11 at 768, 90 Trademark Rep. at 860.

20. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir. 1999); Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 670 (5th Cir. 2000).

21. *Ringling Bros.*, 170 F.3d at 458.

Other circuit courts have granted the plaintiff relief upon a showing that there is a *likelihood* that the plaintiff's mark will be diluted.[22] These courts have rejected an actual economic harm requirement. They have found that the intent of Congress in adopting the FTDA was to afford plaintiffs a remedy before dilution has caused actual harm to the senior mark and that to require plaintiffs to prove actual economic harm would "make bringing a successful claim under the FTDA unreasonably difficult."[23] Some courts have gone so far as to say that an "actual dilution" standard would hold the plaintiff to an impossible level of proof.[24]

Inconsistent standards from circuit to circuit make it much more difficult for a famous mark owner to conduct business nationwide. It also leads to forum-shopping, something this subcommittee sought to prevent when it drafted the FTDA.[25] To correct this inconsistency and clarify Congress' original

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22. I.P. Lund Trading ApS, Inc. v. Kohler Co., 163 F.3d 27, 49 (1st Cir. 1998); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999); Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.2d 157, 168-69 (3d Cir. 2000); V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464 (6th Cir. 2001), *petition for certiorari filed* (January 2, 2002); Eli Lilly & Co. v. Natural Answers Inc., 233 F.3d 456, 467-68 (7thCir. 2000); Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873-74 (9th Cir. 1999).

23. *V Secret*, 249 F.3d at 476.

24. *Eli Lilly*, 189 F3d at 468.

25. See H.R. Rep. No. 104-374, supra note 3, at 4 ("Protection for famous marks should not depend on whether the forum where the suit is filed has a dilution statute. This simply encourages forum-shopping and increases the amount of litigation.").

intent, INTA recommends that amendments be incorporated into the Lanham Act that explicitly state that "likelihood of dilution" is the proper standard.

Conclusion

Thank you, again, Mr. Chairman, for the opportunity to present INTA's views on the present need to clarify Congress' original intent that "likelihood" be the proper standard for trademark dilution. We look forward to working with this subcommittee and its staff in crafting legislation toward that end. In moving forward with legislation, Congress will be taking an important and affirmative step towards preserving special symbols of creativity from irreparable harm.

Appendix A

AIPLA
American Intellectual Property Law Association
2001 Jefferson Davis Highway ▪ Suite 203 ▪ Arlington, Virginia 22202

STATEMENT OF

MICHAEL K. KIRK
EXECUTIVE DIRECTOR
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

Before the

SUBCOMMITTEE ON COURTS,
THE INTERNET AND INTELLECTUAL PROPERTY
COMMITTEE ON THE JUDICIARY
UNITED STATES HOUSE OF REPRESENTATIVES

on

TRADEMARK DILUTION

February 14, 2002

Mr. Chairman:

I am pleased to have the opportunity to present the views of the American Intellectual Property Law Association (AIPLA) on the need to amend the trademark law to eliminate the conflicts which have arisen in the interpretation of the Federal Trademark Dilution Act of 1995.

Appendix A

The AIPLA is a national bar association of more than 13,000 members engaged in private and corporate practice, in government service, and in the academic community. The AIPLA represents a wide and diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property.

SUMMARY

The AIPLA believes that the Trademark Act of 1946 (Lanham Act) should be amended to clarify the standard for proving dilution of a "famous" mark. The federal courts of appeals have issued conflicting decisions on this issue. Some courts premise relief upon a showing of a "likelihood of dilution," while other courts require proof of actual, consummated injury. The AIPLA supports enactment of a likelihood of dilution standard. In our view, such a standard is more consistent with the policy objectives of dilution law and more accurately reflects the intent of Congress when it enacted the "Federal Trademark Dilution Act of 1995."

BACKGROUND

The concept of dilution may be traced back to the 1927 seminal article by Frank I. Schechter entitled "The Rational Basis of Trademark Protection," 40 *Harvard Law Review* 813. According to Schechter, dilution is designed to protect against "the **gradual** whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." (emphasis added)

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Approximately one-half of the states have enacted dilution laws. For the most part, these state laws are patterned after the Model State Trademark Bill, which provided relief for the "likelihood of injury" to business reputation or for dilution of the distinctive quality of a mark. Recognizing that famous marks, ordinarily, are used on a nationwide basis and that judicial decisions interpreting and applying state dilution laws were inconsistent, this Subcommittee, under the leadership of then Chairman Carlos Morehead, crafted federal legislation to protect famous marks against dilution. This legislation, the "Federal Trademark Dilution Act of 1995" was passed by Congress and codified in Section 43(c) of the Lanham Act. As noted in the Report of the Committee on the Judiciary (Rpt. 104-374), "the federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks. . . ."

Section 43(c) provides, in part, that the owner of a famous mark is entitled to relief against another person's commercial use in commerce of a mark, "if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." In response to a decision of the Trademark Trial and Appeal Board refusing to permit the opposition to a mark on the basis that it would cause dilution, Congress further amended the Lanham Act in 1999 to provide that a mark which when used would cause dilution under section 43(c) may be refused registration and that a registration for such a mark may be cancelled (*Babson Bros. v. Surge Power Corp.*, 39 USPQ2d 1953 (TTAB 1996)).

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CONFLICT AMONG THE CIRCUIT COURTS OF APPEALS

In *Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999), the U.S. Court of Appeals for the Fourth Circuit interpreted the phrase "causes dilution" in Section 43(c) of the Lanham Act to require proof of actual harm in order to be entitled to relief. While conceding that such a standard "does not leap fully and immediately from the statutory text," the court found support for the "actual harm" standard in the legislative history surrounding passage of the "Federal Trademark Dilution Act." The court emphasized that while state dilution statutes required proof of a "likelihood of dilution," the federal dilution statute does not expressly incorporate this standard. The court acknowledged that proof of actual, consummated injury will be difficult but indicated that means of proof, including proof of actual loss of revenue and consumer surveys, are available. The Fourth Circuit's actual harm standard was later adopted by the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000). The Fifth Circuit refused to depart from what it believed to be the plain meaning of the statute.

Other courts of appeals, however, have adopted a "likelihood of dilution" standard for relief under the federal dilution statute. In *I.P. Lund Trading ApS, Inc. v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998), the U.S.Court of Appeals for the First Circuit found that proof of actual harm was not necessary because "demand for one product is almost always lessened when a competing product achieves a measurable degree of success."

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In *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), the U.S. Court of Appeals for the Second Circuit expressly rejected the Fourth Circuit's actual harm test, concluding that it "depends on excessive literalism to defeat the intent of the statute." It reasoned:

"If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And as to consumer surveys, they are expensive, time-consuming and not immune to manipulation."

The Seventh Circuit, in *Eli Lily & Co. v. Natural Answers Inc.*, 233 F.3d 456 (7th Cir. 2000), also rejected the actual harm test. According to the Seventh Circuit, the Fourth Circuit's interpretation of the statute holds the owners of famous marks to an "impossible" level of proof. "It is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff's case all but impossible."

Finally, the U.S. Court of Appeals for the Sixth Circuit, in *V Secret Catalogue Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), (Petition for cert. filed January 2, 2002) concluded that the "the *Nabisco* test both tracks the language of the statute and follows more closely Congress' intent in adopting the FTDA."

Appendix A

PROPOSED LEGISLATION

The draft bill of February 7, 2002, which you have circulated, Mr. Chairman, would amend Section 43(c) of the Lanham Act to make it clear that "likely to cause" dilution is the standard for the award of relief under the federal dilution statute. Corresponding changes would be made elsewhere in the statute. As a technical matter, we note that this draft bill would amend section 2(f) of the Lanham Act. This reference should rather be to amending the last two sentences of section 2 of the Lanham Act (see SEC. 2(a), Public Law No. 106-43).

The AIPLA believes that the likelihood of dilution test is appropriate because it most closely comports with the goals of the Federal Trademark Dilution Act and is consistent with the Act's legislative history. The relevant legislative history indicates that a requirement of proof of likelihood of dilution advances the fundamental purpose of the federal dilution statute in protecting famous marks. As the Report of the Committee on the Judiciary notes, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No 104-374 (1995), reprinted in 1996 U.S.C.C.A.N. 1029, 1032.

As noted by the Sixth Circuit in the *Moseley* case, this passage is important in two respects. First it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim

is a property right in the "potency" of a mark. Second, the passage's latter half – "confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark" — evinces an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark.

We submit, Mr. Chairman, that Congress, in enacting the federal dilution statute, did not intend to alter the "likelihood of dilution" standard of proof required to establish relief, as set forth in the state statutes.

Under the actual dilution standard of the Fourth and Fifth Circuits, a famous mark owner must wait until *after* harm is incurred before seeking judicial remedy. This requirement of actual harm unduly prejudices the mark owner. Once a famous mark has actually been diluted, the harm is irreparable; the "whittling away" of the mark's distinctiveness has taken place and cannot be restored. Moreover, as the Seventh Circuit observed in the *Eli Lilly* case, if an actual dilution standard were to be followed, by the time the senior mark holder would be permitted to file suit, junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that have copied it. Moreover, an actual harm standard would also prejudice junior users to the extent they would be unable to seek declaratory relief prior to investing in new products and services. To quote the *Eli Lilly* court, "Congress could not have intended these unjust and inefficient results."

Additionally, the burden of proving actual harm is unreasonable. Suggestions that actual harm may be shown

through consumer surveys, or through loss of profits have been sharply criticized as untenable and impossible to prove. The Fourth Circuit itself admitted that consumer surveys are unwieldy at best. With respect to lost profits, if the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior.

Congress further evidenced its intention that the "likelihood of dilution" standard be the basis for relief when it amended the Lanham Act to add dilution as a ground for refusing and canceling registrations. It correctly noted that "Resolution of the dilution issue before the Board, as opposed to Federal District Court, would result in more timely, economical, and expeditious decisions. Resolving the issue at the Board would provide certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark." (Report No. 106-250) Since applications subject to this remedy include those filed on the basis of intent-to-use, i.e., before an applicant has even begun using the challenged mark (see *The Toro Company v. Torohead*, 61 USPQ2d 1164 (TTAB 2001), the standard in such cases could not possibly be actual dilution. Clearly Congress could not intend that the owners of famous marks suffer actual dilution of their marks before bringing an action to enjoin the use of offending marks when the same owners could have prevented the registration of such offending marks before they are even used.

Appendix A

We, again, commend you, Mr. Chairman, for your continuing leadership in striving to improve our intellectual property system. The AIPLA looks forward to working with you, the other Members of the Subcommittee, and your able staff to support you in any way we can.

Appendix A

Oversight Hearing on the Federal Trademark Dilution Act:

The Importance of the Polo Family of Brands to the Polo Ralph Lauren Corporation

Sherry L. Jetter, Esq.
Vice President of Intellectual Property
Polo Ralph Lauren Corporation

U.S. House of Representatives
Subcommittee on Courts, the Internet and Intellectual Property

February 14, 2002

Introduction

Good morning, Mr. Chairman.

My name is Sherry Jetter, and I am the Vice President responsible for intellectual property matters for the Polo Ralph Lauren Corporation ("Polo Ralph Lauren").

We appreciate the opportunity to appear before the House Subcommittee on Courts, the Internet, and Intellectual Property to discuss the critical importance of the "Polo" family of trademarks and brands which have come to define Polo Ralph Lauren over a period of nearly 35 years.

I also want to take this opportunity to express our company's strong support for legislation establishing that likelihood of

dilution and not actual dilution is the proper standard for finding dilution under the Federal Trademark Dilution Act of 1995 ("FTDA").[1]

I want you to know that we at Polo Ralph Lauren like to think of our company as a uniquely American enterprise. Our approach to fashion as lifestyle is American in origin and style. As you may be aware, Polo Ralph Lauren has been inspired by the significance and beauty of our American flag and has interpreted and used it in many of its designs. Indeed, we have built a stylistic association with the flag and the American values the flag represents. This is underscored by Polo Ralph Lauren's recent contribution of over $14 million to the Star-Spangled Banner Preservation Project. That project supports the preservation of the tattered flag that flew over Fort McHenry in 1814 and provided the inspiration for Francis Scott Key as he wrote what has become our national anthem.

Polo Ralph Lauren is proud of its association with American values and believes that no value is more fundamentally American than the simple concept of property. For Polo Ralph Lauren and many other American companies, the most valuable piece of property that they own is their good name, or as we say in our industry, their brand.

I am here today to explain to you how essential the protection of the Polo family of brands and trademarks is to my company.

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1. Pub. L. No. 104-98.

History and Value of the Polo Family of Brands

For nearly 35 years, Polo Ralph Lauren's reputation and distinctive image have been developed across an expanding number of products, brands and international markets. We are a leader in the design, marketing and distribution of premium lifestyle products. Our brands, which include "Polo," "Polo by Ralph Lauren," "Ralph Lauren," "Polo Sport," "Polo Jeans Co." and others constitute one of the world's most widely recognized families of consumer names. We believe that, under the direction of Ralph Lauren – our founder, Chairman and Chief Executive Officer, and an internationally renowned designer – Polo Ralph Lauren has greatly influenced the manner in which people dress and reflects an American perspective and lifestyle.

Today the Polo name is associated with apparel of nearly every kind, accessories, fragrance products and home furnishings.

Polo Ralph Lauren is a large company today. Our products are sold throughout the United States and the world. In fiscal year 2001, Polo Ralph Lauren had net sales of almost $4 billion dollars worldwide – every dollar of which is based upon a customer purchasing a product that bears at least one of the Polo family trademarks.

The vision, tenacity and hard work of Mr. Lauren and others at Polo Ralph Lauren have created a widely recognized and valuable property in the Polo family of brands and trademarks. Polo Ralph Lauren's commitment to maintain, preserve, and enhance its brands, is evidenced by the company's annual expenditure of millions of dollars advertising those brands. And, each year, we go to enormous lengths to enforce our trademark rights and protect our good name.

In fiscal year 2001 alone, the company spent in excess of $88 million dollars on advertising.

The Polo brands and family of trademarks are the company's most valuable assets. Not surprisingly, because of our success, Polo Ralph Lauren's products have been the subject of counterfeiting and infringement. We have established a global and in depth enforcement program that includes the use of outside investigators, local law enforcement, federal enforcement agencies like United States Customs Service and the FBI and an in-house department dedicated to monitoring a network of sources and contacts that inform us of potentially harmful uses of the Polo name. When necessary, Polo Ralph Lauren engages in litigation to protect the Polo brands. The importance of our trademarks is further demonstrated by the fact that we have joined together with other fashion trademark holders in joint civil and criminal actions to protect our trademarks.

In light of the company's wide success, the Polo brands are surely famous in any sense that word can be used – including the legal definition of the word "famous" as found in our trademark laws. Numerous courts have held that Polo Ralph Lauren owns "famous" marks for the purpose of the dilution statute.[2] In fact, in litigation involving Polo trademarks, even our adversaries have conceded the fame of the Polo name and Polo trademarks.

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2. *See, e.g., Polo Ralph Lauren L.P. v. Schuman*, No. Civ.A. H97-1855 1988 WL 110059, at *2 (S.D. Tex. Feb. 9, 1998).

Importance of the Dilution Act and Examples of Dilution of the Polo Family of Brands

Because of the fame of our family of trademarks and brands, Polo Ralph Lauren was extremely grateful for the passage of the FTDA. It is a valuable and much-needed law for the protection of our intellectual property.

Unfortunately, Polo Ralph Lauren has been an all-too-frequent target of those who attempt to benefit from our good name, diluting our famous brands in the process. In 1998, at Polo Ralph Lauren's request, a federal court in Houston, Texas enjoined the use of our name and mark on a business called "The Polo Club." The court referred to The Polo Club as "an adult entertainment business." In fact, it was what is commonly known as a house of ill-repute. Polo Ralph Lauren sought and was granted this relief under the FTDA prior to the establishment in the Fifth Circuit of the actual dilution standard. Others have diluted the Polo brands by putting them on massage parlors, limousine services and cleaners.

Polo Ralph Lauren is extremely grateful for the protection afforded by the FTDA. Unfortunately, the protection afforded by the FTDA has not always been sufficient. In 1997, a company bought a specialty publication dedicated to the equestrian sport of polo, including its trademark, and converted it into a glossy fashion and lifestyle magazine titled "Polo". The magazine went from advertising equestrian – related products to putting models and images associated with Polo Ralph Lauren on its cover and in its pages. These changes were made to exploit our famous Polo brand and had the effect of diluting its value. Naturally, we sued under the FTDA.

While this dilution of our famous trademark is the precise situation the FTDA was intended to remedy, we were unable to prevail under that statute. The district court specifically found that while we would have prevailed under a likelihood of dilution standard, we failed to satisfy the more stringent actual dilution standard and we were ultimately denied relief under the FTDA. The court, in effect, said that we had to wait until our brand had been irreparably harmed before we could be granted relief. Given this experience it could not be more clear to us that the dilution standard needs to be clarified. Indeed, if the actual dilution standard had been in effect in the house of ill repute case, we might not have prevailed there either.

Support for the Legislation

It is for this reason that I come before you to support an amendment to the Trademark Act of 1946 ("Lanham Act").[3] We must insure that what happened to Polo Ralph Lauren in the cases I have described does not happen to others across the country. The FTDA was designed to protect famous trademarks such as ours. We believe that our name, our property, is vulnerable absent the protection which would result from clearly establishing that the appropriate standard under the FTDA is likelihood of dilution rather than actual dilution.

The Polo name is the root of all of our trademarks and is the heart of our company. We cannot afford to fail to vigilantly protect the Polo brand. This trademark is more important to the success of our company than any distributor, licensee,

3. 15 U.S.C. § 1051, *et seq.*

factory or store. It is without question the single most important piece of *property* owned by Polo Ralph Lauren.

It has been said that there is a magic behind the Polo brand and its family of trademarks and brands. Over the years Mr. Lauren and his team have built this magic from a single men's tie to an array of consumer products defining a distinct lifestyle. When others are afforded an unearned advantage by using the good will we have created in these brands and trademarks, we believe it is theft. And when others are allowed to tarnish our good name and public acceptance that we have cultivated and nurtured, we believe it is vandalism. Protecting our family of brands and trademarks is the highest corporate priority.

This amendment to the FTDA is necessary for the protection of our property and the property of other famous brand owners.

Conclusion

Thank you Mr. Chairman, for the opportunity to explain the importance of the Polo name and its trademarks to Polo Ralph Lauren and our company's view that an amendment to the Lanham Act to clarify that likelihood of dilution is the appropriate standard is critically important to all owners of a famous trademark.

House Rule XI Disclosure

Pursuant to House Rule XI, clause 2(g)(4), the subcommittee is hereby informed that Polo Ralph Lauren has received no federal grant, contract, or subcontract in the current and preceding two fiscal years.

Appendix A

Oversight Hearing on the
Federal Trademark Dilution Act

Ethan Horwitz
Partner
Darby & Darby PC

U.S. House of Representatives
Subcommittee on Courts, the Internet and
Intellectual Property
February14, 2002

Introduction

Good morning, Mr. Chairman. My name is Ethan Horwitz. I am a partner at Darby & Darby PC, a law firm in New York which has specialized in intellectual property for more than 100 years. I am testifying today in my personal capacity, and the views I express are my own.

By way of background, I am the author of the five volume treatise WORLD TRADEMARK LAW AND PRACTICE (Matthew Bender) and co-author of PATENT LITIGATION: PROCEDURE AND TACTICS (Matthew Bender) and the editor of Intellectual Property Counseling and Litigation (Matthew Bender). I am an Adjunct Professor of Advanced Trademark Law at Fordham University School of Law.

A trademark is customarily protected against use of that mark or a similar mark that may cause consumer confusion. The owner of a mark may stop a third party from using a similar mark on similar goods in a way that may cause consumers to believe that the third party's products originate from the

Appendix A

trademark owner or are sponsored or approved by the trademark owner. For example, MCDONALD'S was able to stop a third party from selling bagels under the mark MCBAGEL'S.[1]

The theory of dilution stems from a recognition that there are some marks that are so famous and distinctive that they deserve special protection. For these famous marks, the traditional protection from confusion is not enough. The classic examples are BUICK, DUPONT and KODAK. When you say the word BUICK, the car automatically comes to mind. Similarly, saying KODAK brings film to mind. Whereas, with an ordinary mark like UNITED or FIRST NATIONAL, there is no specific image that comes to mind. Marks like BUICK and KODAK are so powerful because they are distinctive and famous, and dilution law gives them the added protection they need.

Dilution theory provides that regardless of whether there is confusion or whether the parties' goods are in competition, a distinctive and famous mark can be protected against damage to its distinctive quality — its "selling power" — from third party use of the mark on unrelated goods.[2] This damage, called "blurring," has been described as third party uses that "blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion."[3]

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1. *McDonald's Corp. v. McBagel's, Inc.*, 649 F. Supp. 1269 (S.D.N.Y. 1986).

2. *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989).

3. H.R. Rep. No. 104-374, 104th Congress (1995), at 2.

For example, if a clothing manufacturer were to start selling KODAK ties, it is likely that a court would conclude that the average consumer would not be confused into believing that the KODAK film company was the maker of the ties or even licensed or approved the ties. That is, the court likely would conclude there is no infringement. Yet, this unauthorized use still harms the KODAK mark. This use begins to chip away at the unique image of KODAK, namely the ability of the KODAK mark to summon up a specific image of a film company.

This damage has been described as the "gradual diminution or whittling away of the value of the famous mark by blurring uses by others."[4] Obviously, one small use of KODAK on ties is going to have little effect by itself. Yet, if this use cannot be stopped and other third party uses of KODAK on soft drinks, KODAK on perfume, KODAK on pens and KODAK on clocks cannot be stopped, then the distinctiveness of KODAK will be damaged. Soon, KODAK will no longer signify or call to mind the film company.

The Federal Trademark Dilution Act ("FTDA")[5] must protect against this gradual whittling away and give KODAK the ability to stop this first use of KODAK on ties. That is why we are here today.

The FTDA provides:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such

4. 3 J. Thomas McCarthy, McCarthy On Trademarks And Unfair Competition § 24:94, at 24-161 (1999).

5. Pub. L. No. 104-98, 109 Stat. 505 (1995).

> terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as provided in this subsection.[6]

The FTDA has been interpreted in two ways by the courts. One way, exemplified by the Second Circuit's decision in *Nabisco*[7], holds that the proper interpretation of the FTDA is that use of a mark can be enjoined if it is *likely* to dilute the famous mark. In contrast, the Fourth Circuit in *Ringling Bros.*,[8] held that the FTDA requires proof of actual dilution before an injunction can issue.

The difference between these two interpretations is very important. Going back to the KODAK ties example, we can see how this is the first step on the slippery slope to the loss of the distinctiveness of the KODAK mark. The question raised is, how does Kodak show that this one use on ties has actually caused damage?

As a trademark trial lawyer, I can tell you that proving actual damage is extremely difficult. If proof of actual damage is the standard, then in effect, the protections afforded by the

6. 15 U.S.C. § 1125(c)(1).

7. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

8. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (1999).

FTDA are a nullity. At trial, I can show that through a series of uses on third parties, the KODAK mark will be damaged and I can put marketing experts on the stand to explain how this damage will occur. But to prove that a specific single use has actually already caused actual damage is impossible except in rare cases.

I urge you to pass this legislation so that the FTDA has the effect Congress intended when it was enacted in 1995 and that famous marks, which are one of the pillars of the American economy are protected.

Protection of Famous and Distinctive Trademarks

Modern trademark law as originally codified by the Lanham Act of 1946,[9] recognizes a cause of action for trademark infringement where the owner of a trademark may bar another from using the same or similar mark in a manner that creates a likelihood of consumer confusion as to the source or origin of goods or services.[10] Trademark infringement on unfair competition is defined as:

> (1) Any person who shall, without the consent of the registrant -
>
> A. use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services

9. 15 U.S.C. § 1051, et seq. (1946).

10. 15 U.S.C.§ 1125(a).

> on or in connection with which such use is likely to cause confusion or to cause mistake, or to deceive; or
>
> B. reproduce, counterfeit, copy, or colorable imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising, of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;
>
> shall be liable in a civil action by the registrant for the remedies herein after provided. . . .[11]

Traditional trademark law has always distinguished between marks which lack distinctiveness and those which are inherently distinctive, by according protection to those marks which by their nature are inherently distinctive.[12] In *Abercrombie &*

11. 15 U.S.C. § 1114(1).

12. *TCPIP Holding Co., Inc. v. Haar Communications Inc.*, 244 F.3d 88, 93 (2d Cir. 2001) (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir. 1976)). The Lanham Act expanded protection to trademarks which while not inherently distinctive, had acquired secondary meaning through use. See 15 U.S.C.§ 1052(e), (f).

Fitch,[13] Judge Friendly explained this difference with a scale progressing from marks that are least to most distinctive: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful.[14]

The Federal Trademark Dilution Act

The passage of the FTDA in 1995 was a monumental step towards enhanced protection for famous and distinctive trademarks. Prior to the enactment of the FTDA, owners of famous trademarks had to look to a patchwork of state laws and courts to redress dilution of their marks, resulting in inconsistent decisions. The FTDA was intended to create a uniform anti-dilution law and provide a national remedy:

> Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks . . . A federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection. . . .[15]

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13. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

14. Id. at 9.

15. H.R. Rep. No. 104-374, supra note 3, at 2-3.

Moreover, the legislative history of the 1946 Lanham Act demonstrates that Congress had a dual purpose in enacting it. First, to protect consumers from confusion as to the source and quality of goods. Second, to "protect the owner of a trademark who has spent time, energy, and money in the pursuit of the first purpose [protecting consumers from confusion] from those who would trade upon the mark's goodwill."[16] While protecting consumers from confusion can be easily accomplished through traditional trademark infringement claims, protecting trademark owners is more difficult, especially where the same or similar marks are used on different, non-competing goods. Frequently, confusion is unlikely to result in that situation, leaving the trademark owner with little recourse.[17]

The FTDA was intended to remedy this situation. It specifically permits the owner of a famous trademark to enjoin a junior user "throughout commerce, regardless of the absence of competition or confusion".[18] And, because the protection afforded a mark under the FTDA is much broader than that under a likelihood of confusion standard, the class of marks entitled to protection under the FTDA is limited[19]

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16. Terry Ahearn, Comment: Dilution By Blurring Under The Federal Dilution Trademark Act of 1995: What Is It And How Is It Shown?, 41 Santa Clara L. Rev. 893, 903 (2001).

17. Id. See also TCPIP Holding, 244 F.3d at 94-95.

18. TCPIP Holding, 244 F.3d at 95; 15 U.S.C. § 1127 (dilution may be found "regardless of the presence or absence of . . . (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception").

19. *TCPIP Holding*, 244 F.3d at 95.

to highly distinctive, famous trademarks which the public recognizes as signifying something "unique, singular, or particular."[20]

BUICK, KODAK and DUPONT are marks which the courts and Congress have repeatedly pointed to as examples of such highly distinctive and famous trademarks deserving of protection from dilution.[21] Because no reasonable consumer would believe that BUICK aspirin or BUICK shoes were related to BUICK cars, the traditional likelihood of confusion test for trademark infringement would do little to protect BUICK. Nevertheless, this junior user is trading on the goodwill created by the effort and money spent by Buick over the years. If BUICK aspirin and BUICK shoes are permitted to coexist with BUICK cars, and other unrelated "Buick" products are permitted to come along, the BUICK trademark will slowly but surely lose its cache.[22] These

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20. H.R. Rep. No. 104-374, supra note 3, at 3.

21. H.R. Rep. No. 104-374, supra note 3, at 3 ("Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation"); TCPIP Holding, 244 F.3d at 96.

22. *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 175 (2d Cir. 2000) ("Trademark dilution statutes are designed to cover those situations where the public knows that the defendant is not connected to or sponsored by the plaintiff, but the ability of the plaintiff's mark to serve as a unique identifier of the plaintiff's goods or services is weakened because the relevant public now also associates that designation with a new and different source. . . . Thus, where the classic likelihood of confusion test leaves off, the dilution theory begins.") (citations omitted).

unauthorized uses will "reduce the public's perception that the mark signifies something unique, singular, or particular."[23] The FTDA was intended to prevent this.

Inconsistent Judicial Interpretations of the FTDA Has Undermined Its Effectiveness

Since its enactment, the courts have inconsistently interpreted the standard for granting an injunction[24] under the FTDA. The resulting split in the circuits has undermined the purpose of the FTDA. Thus, despite its enactment, there is still no national dilution law; decisions continue to be unpredictable and unreliable. The two leading decisions come out of the Fourth and Second Circuits.

In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*,[25] Ringling Bros. claimed that its trademark "The Greatest Show On Earth" had been diluted by the State of Utah's commercial use of the slogan "The Greatest Snow on Earth," and sought injunctive relief under the FTDA. At trial, Ringling Bros.' evidence that its mark had become famous before 1962, when Utah began use of its slogan, was essentially undisputed. The District Court found that Ringling Bros. had not proven dilution, and found in favor of Utah. The Fourth Circuit affirmed.[26]

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23. H.R. Rep. No. 104-374, supra note 3, at 3.

24. As discussed below, except in very limited circumstances, the only remedy available to the owner of a famous mark under the FTDA is injunctive relief. 15 U.S.C. § 1125(c)(2).

25. 170 F.3d 449 (4th Cir. 1999).

26. Id. at 451.

Appendix A

On appeal, Ringling Bros. challenged the District Court's interpretation of the definition of "dilution" and the elements of a dilution claim under the FTDA.[27] In affirming, the Fourth Circuit held that dilution under the FTDA consists of "(1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) *actual harm* to the senior marks' economic value as a product-identifying and advertising agent."[28] It is the Fourth Circuit's requirement that "actual harm" to the senior user's mark be shown which has caused the greatest debate and disagreement among the courts that have addressed this issue.[29]

The Fourth Circuit based its interpretation on its reading of the legislative history, state anti-dilution statutes and the evolution of state and federal trademark law. In particular, the Court relied on the fact that many state anti-dilution statutes used a "likelihood of dilution" standard while the FTDA uses the language "causes dilution."[30] The Court conceded that its interpretation of the FTDA was "stringent."[31]

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27. Id. at 453.

28. Id.

29. *See, e.g., V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 179 (3d Cir. 2000).

30. *Ringling Bros.*, 170 F.3d at 458; see also *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000).

31. *Ringling Bros.*, 170 F.3d at 458.

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In *Nabisco, Inc. v. PF Brands, Inc.*,[32] the Second Circuit had the opportunity to consider the issues raised in *Ringling Bros.* Nabisco brought a declaratory judgment for non-infringement against Pepperidge Farm, the producer of the famous Goldfish snack crackers. Pepperidge Farm moved for a preliminary injunction on the ground that Nabisco's planned introduction of a goldfish shaped snack cracker would dilute the distinctive quality of Pepperidge Farm's Goldfish cracker in violation of the FTDA and New York's anti-dilution statute. The District Court granted Pepperidge Farm's motion and ordered Nabisco to recall its product. On appeal, the Second Circuit affirmed.[33]

Relying on *Ringling Bros.*, Nabisco argued that in order to prevail, Pepperidge Farm had to show actual harm, consisting of an actual reduction in the selling power of its Goldfish mark.[34] The Second Circuit rejected Nabisco's argument and disagreed with the Fourth Circuit's interpretation of the FTDA.[35]

While recognizing that the language of the FTDA might support the *Ringling* Court's requirement of "actual consummated" dilution because the statute uses the language "causes dilution" rather than "likelihood of dilution," the Second Circuit nonetheless viewed that reading as "excessive literalism to defeat the intent of the statute."[36] The Court went

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32. 191 F.3d 208 (2d Cir. 1999). I represented PF Brands and Pepperidge Farm, Inc. at trial and on appeal.

33. Id. at 212.

34. Id. at 214. Nabisco raised other issues on appeal which are not germane to the bill under consideration.

35. Id. at 223.

36. Id. at 224.

on the explain the illogical result of the Fourth Circuit's interpretation of the FTDA:

> To read the statute as suggested by the *Ringling* opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), . . . such injury would never be compensated. The *Ringling* reading is also disastrously disadvantageous for the junior user. In many instances the junior user would wish to know whether it will be permitted to use a newly contemplated mark before the mark is launched rather than after. . . If the statue is interpreted to mean that no adjudication can be made until the junior mark had been launched and has caused actual dilution, businesses in Nabisco's position will be unable to seek declaratory relief before going to market. They will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined.[37]

While most courts that have addressed this issue since Nabisco have followed the Second Circuit,[38] this split goes to the heart matter.[39]

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37. Id.

38. See supra note 29.

39. One could argue that *Ringling Bros.* reached the right conclusion for the wrong reason, or bad facts make bad law. Ringling

(Cont'd)

The Second Circuit recognized that requiring a showing of actual harm made little sense in the context of a dilution claim because actual harm is so difficult to prove:

> If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to dilution of the mark.[40]

Surveys, which the *Ringling* Court had speculated could be used to prove actual dilution,[41] are expensive, time consuming and can be easily manipulated[42] and, therefore, do not readily satisfy the evidentiary black hole created by *Ringling Bros.* Similarly,

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(Cont'd)

Bros. and Utah had been using their respective slogans for nearly 40 years. While the FTDA standard should be a likelihood of dilution, the Court could have easily found that having co-existed for so long without any evidence of dilution was sufficient evidence that there was no likelihood of dilution. This would be similar to traditional trademark infringement cases where the parties co-exist for decades without any evidence of actual confusion, resulting in a finding of no likelihood of confusion and, hence, no infringement.

40. Id. at 223-24.

41. *Ringling Bros.*, 170 F.3d at 464-65.

42. *Nabisco*, 191 F.3d at 224; see also *Eli Lilly*, 233 F.3d at 468 ("[W]e doubt that dilution of the distinctiveness of a mark is something that can be measured on an empirical basis by even the most carefully crafted survey.").

due to the nature of dilution itself, one has to wonder whether it is ever possible to show actual harm from a single use. That first use may get the ball rolling, but it is the combination of multiple third party uses over time that gradually "whittle away" the distinctiveness of a famous mark.[43]

The FTDA Should Be Amended To Reflect Likelihood of Dilution As The Proper Standard

The purpose of the FTDA will continue to be undermined so long as the courts continue to interpret its language in an inconsistent manner. This is particularly true for those courts that follow *Ringling Bros.* because the requirement that "actual consummated" harm be shown by the owner of a famous mark will have the effect of nullifying the FTDA. Not only is this requirement illogical from the standpoint of dilution theory in general, but it is equally illogical given that the only real remedy available under the FTDA is injunctive relief.[44]

Commentators, the courts and the legislative history of the FTDA have uniformly recognized that the harmed caused by dilution is a slow, creeping harm which occurs over time and is difficult to measure:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the

43. Frank I. Schechter, The Rational Basis of Trademark Protection, 40 Harv. L. Rev. 813, 825 (1927).

44. 15 U.S.C. §§ 1125(c)(2).

> essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.[45]

Relying on this passage from the legislative history, the Sixth Circuit followed *Nabisco* because this language "evinces an intent to allow a remedy before dilution has actually caused economic harm to the senior mark. In such a case, proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available . . . requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult. With such a broad remedy [injunctive relief] considered in the Act's legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable."[46]

By its very nature, injunctive relief has value only if it is granted *prior* to harm actually occurring. In this instance, dilution is no different from traditional trademark infringement, patent or copyright infringement or for that matter, any other tort where injunctive relief is an available remedy.[47]

45. H.R. Rep. No. 104-347, supra note 3, at 3 (quoting *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)); see also *V Secret Catalogue*, 259 F.3d at 475.

46. *V Secret Catalogue*, 259 F.3d at 476.

47. See, e.g., *United States v. Oregon State Medical Society*, 343 U.S. 326, 333 (1953) ("The sole function of an action for an injunction is to forestall future violations."); *Roe v. Cheyenne Mountain Conference Resort, Inc.*, 124 F.3d 1221, 1230 (10th Cir. 1997) ("The purpose of an injunction is to prevent future violations . . . . ") (citations omitted);

(Cont'd)

Appendix A

If a famous mark owner must wait until actual dilution has occurred before being entitled to an injunction, the remedy it ultimately obtains will be an empty one. "Although enjoining junior use of a mark after years of use in the marketplace may take the junior mark out of commerce, an injunction cannot erase the association consumers have made between the junior mark and the senior mark in their minds. This type of damage is not only difficult to compensate, but also causes irreparable harm to the identifying function of a trademark."[48]

Conclusion

In view of these points, I believe that the FTDA should be amended to clarify Congress' original intent that the proper standard is a likelihood of dilution.

Thank you for this opportunity to share my views on this important issue of trademark law.

DISCLOSURE OF FEDERAL GRANT

There is no money I have received as part of a federal grant or subgrant thereof or contract or subcontract thereof which is relevant to my testimony, during this year or the two preceeding fiscal years. I do not represent anyone at my testimony.

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Caplan v. Fellheimer Eichen Braverman & Kaskey, 68 F.3d 828, 839 (3d Cir. 1995) (purpose of a preliminary injunction is to "protect the moving party from irreparable injury until the court can render a meaningful decision on the merits"); 13 JAMES WM. MOORE, MOORE'S FEDERAL PRACTICE § 65.02[2], at 65-13 (3d ed. 1997) ("[T]he purpose of injunctive relief is to prevent future harm.").

48. Jennifer Mae Slonaker, Comment: Conflicting Interpretations of the Federal Trademark Dilution Act Create Inadequate Famous Mark Protection, 26 Dayton L. Rev. 121, 144 (2000).

APPENDIX B — DRAFT OF TRADEMARK DILUTION ACT OF 2002

_____
(Original Signature of Member)

107TH CONGRESS
1ST SESSION

H.R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. introduced the following bill; which was referred to the Committee on

A BILL

To amend the Trademark Act of 1946 to clarify the standard for proving dilution of a mark.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Trademark Dilution Act of 2002".

SEC. 2. STANDARD FOR PROVING DILUTION OF A MARK.

The Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for

other purposes", approved July 5, 1946 (commonly referred to as the "Trademark Act of 1946"), is amended as follows:

(1) Section 2(f) (15 U.S.C. 1052(f)) is amended by striking "would cause dilution" each place it appears and inserting "would be likely to cause dilution".

(2) Section 43(c)(1) (15 U.S.C. 1125(c)(1)) is amended in the matter preceding subparagraph (A), by striking "and causes" and inserting "and such use is likely to cause".

APPENDIX C — ANALYSIS OF CIRCUIT AND DISTRICT COURTS' APPLICATION OF RINGLING BROS. AND NABISCO TO DILUTION CASES UNDER THE FTDA

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.
Actual lessening of selling power

Circuit	Cited	Followed	
		Ct. of Appeals	District Ct.
1st Cir.	1	0[1]	0
2nd Cir.	2	0[2]	0
3rd Cir.	4	0	1[3]
4th Cir.	7	0	6[4]
5th Cir.	1	1[5]	0
6th Cir.	3	0	1[6]
7th Cir.	7	0	2[7]
8th Cir.	0	0	0
9th Cir.	1	0	1
10th Cir.	1	0	1
11th Cir.	2	0	0
	Total Citations	**Total Followed**	
	29	1 (13)	12

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[1] *I.P. Lund Trading ApS* v. *Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998) (explicitly rejected *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 616 (E.D. Va. 1997).
[2] *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 223 (2d Cir. 1999) (explicitly rejected *Ringling*).
[3] *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 168-69, 179 n.11 (3d Cir. 2000) (applied *Nabisco* analysis; dissent agreed with majority's implicit rejection of *Ringling*).
[4] *Ringling Bros.-Barnum Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).
[5] *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 671 (5th Cir. 2000) (endorsed *Ringling*).
[6] *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 475 (6th Cir. 2001) (followed *Nabisco* explicitly rejected *Ringling*).
[7] *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (followed *Nabisco* explicitly rejected *Ringling*).

Appendix C

Nabisco, Inc. v. PF Brands, Inc.
Likelihood of dilution

Circuit	Cited	Followed	
		Ct. of Appeals	District Ct.
1st Cir.	0	0	0
2nd Cir.	26	1[8]	7
3rd Cir.	3	1[3]	2
4th Cir.	1	0	0
5th Cir.	1	0	0
6th Cir.	4	1[6]	1
7th Cir.	8	1[7]	1
8th Cir.	0	0	0
9th Cir.	1	0	0
10th Cir.	0	0	0
11th Cir.	3	0	0
	Total Citations	**Total Followed**	
	47	4 (15)	11

[8] *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 176-77 (2d Cir. 2000) (applied *Nabisco* factors).